

# **The Free Trade Area of the Americas: One Year After Santiago**

**Ambassador Charlene Barshefsky  
United States Trade Representative**

**Council of the Americas  
Washington, D.C.**

**May 4, 1999**

Thank you all very much, and thank you for that introduction.

I am very pleased to be here today. It is now one year since the Summit of the Americas in Santiago; and it is a little more than eight months since formal FTAA negotiations began, at the direction of that Summit. Since mid-January, we have held negotiating sessions in Miami every week ... with the exception of the Super Bowl.

But the intervening year has been more eventful, in more ways, than many expected. Since our negotiators began their work in Miami last September 1<sup>st</sup>, many of the hemisphere's 34 democratic governments have changed. The Asian financial crisis has put immense stress on all of our economies. And we have all seen and responded to Hurricanes Mitch and Georges, with the terrible destruction and human suffering they brought to Central America and the Caribbean.

And as we look ahead, we see the deadline our leaders set for completing the Free Trade Area of the Americas approaching quickly: the young people graduating from high school this month will have graduated college when we complete the talks by 2005. And so, with the experience of the past year behind us, I felt that today would be an appropriate moment to revisit our goals; review our progress thus far; and look ahead to our prospects for completing the work.

## **SHARED INTERESTS, SHARED VALUES**

Let me begin with the assumptions at the heart of the FTAA.

-- We share interests that make this project one of great potential benefit to all our countries.

Our nations are neighbors; we will always be neighbors; and it is clearly in our interest to be able to trade as easily and fairly as possible with our neighbors. That is plainly evident in our experience during the past two years, when the various trade agreements we have adopted in the past decade – NAFTA, Mercosur, CBI, Caricom, the Andean Pact and the Central American Common Market – have helped our people avoid the worst effects of the financial crisis in Asia.

-- We share views on policy that make the FTAA possible.

The FTAA's promise -- to eliminate tariffs, quotas and discriminatory regulation; protect

intellectual property rights; ensure open and transparent markets in services; and provide for the peaceful resolution of disputes -- will create a free and open market under the rule of law, helping our nations compete in the world economy and giving our citizens the chance to make the most of their talents and provide for their families. The associated work we have undertaken in the Summit of the Americas to ensure universal access to education, fight bribery and corruption, and promote new technologies in telecommunications and the Internet will make these opportunities open to everyone.

-- And we share values and ideals that make the FTAA project all but inevitable.

Since the end of the Cold War, we have achieved an historic consensus: commitment to democracy; faith in the rule of law; commitment to social justice; and confidence in one another as partners in a shared destiny. These principles have transformed the Americas: from Central America to the southern Cone, soldiers have returned to quarters; guerrillas taken up politics; and the sounds of politics are no longer gunshots, but campaign speeches and parliamentary debate. A "lost decade," in which closed economies and state control brought crisis, gave way to a decade of achievement, hope and high aspiration.

And this in turn opened the prospect of the Free Trade Area of the Americas at the Summit of the Americas in Santiago, when President Frei as host laid out the opportunity of the future:

"powerful vision of a community of nations united by the objectives of democracy, economic integration and social equity."

### **THE SANTIAGO SUMMIT AND THE AGENDA FOR 1999**

That is the opportunity before us: a united community of democratic nations, putting aside outdated rivalries and suspicions; realizing mutual interests; promoting shared values; partners in a shared destiny. And where do we stand a year after the speeches and the vision?

In one sense, we are precisely on schedule. In Santiago last April, the Leaders authorized us to begin the realization of this vision, through the painstaking, detailed work of trade negotiations. The goals for 1999 were clear and explicit.

- They called on us to complete "annotated outlines" of all nine chapters of a final FTAA: market access, competition policy, subsidies, anti-dumping and countervailing duties; intellectual property; government procurement; investment; agriculture; services; and dispute settlement. This is the foundation and frame on which the completed agreement will rest.
- They directed us to reach agreements on concrete business facilitation measures that will promote trade within the hemisphere today and help us build momentum toward the

completion of the negotiations in the five years ahead.

And we are working to meet that schedule. Last September 1<sup>st</sup>, nine negotiating groups began their sessions at their negotiating site in Miami. They have made a good deal of progress, and with continued application by all participants and the private sector will be able to meet our goals.

At the same time, we have deepened the social consensus for the FTAA through a set of initiatives proceeding in parallel with the trade negotiations: improving education throughout the hemisphere; ensuring that each FTAA member can take advantage of the new opportunities created by electronic commerce; and creating a Committee on Civil Society, directed to listen to the views of civil society and report the full range of views to the Ministers at our meeting in November.

This is the first time in an international trade negotiation that this type of Committee has been established, and it is important that the business community strongly support its work. The initial response has been very positive – the Committee has received more than 70 written submissions from people throughout the hemisphere: business associations, labor unions, environmental groups, consumer groups, and private citizens.

## **THE FINANCIAL CRISIS**

At the same time, however, the landscape in which we work has greatly changed.

Each of us has felt the impact of the financial crisis which began in Asia two years ago. This crisis may have receded from the headlines, but its effects remain alive and devastating for tens of millions of people worldwide. And the challenge it poses to government policies has only begun.

Today, 40% of the world is in recession. All of Latin America's major economies, with the exception of Mexico, contracted in the last quarter of 1998, with an especially sharp contraction in Latin America's largest nation, Brazil. In this atmosphere of financial crisis, each member of the FTAA will feel great pressure to move more slowly; which in turn would raise fundamental questions about the FTAA project as a whole.

Our trade partners in South America, with growth rates falling and commodity prices down, face enormous temptation to raise trade barriers -- to one another and to others -- and to reinstitute subsidies and protection.

The United States, looking at a merchandise trade deficit of perhaps \$300 billion and with intense pressure on steel, agriculture and other sectors, will debate trade policy intensely during next year's Presidential campaign.

And the economic pressures North and South America face are small in comparison to the personal suffering of many Central Americans in the wake of Hurricane Mitch.

### **AMERICAN RESPONSIBILITIES**

This is a severe test. But vision is tested not in sunny years of growth, but times of stress and challenge. And if we, together, meet this test, the foundation of the FTAA – mutual interest, shared faith in our citizens, confidence in one another as partners in shared destiny – will emerge stronger than ever. In the months ahead, therefore, it is more important than ever to remain committed to our vision and the schedule we set to realize it.

For our part, the United States must continue to grow and keep open our markets. As our economy remains strong, we have a self-interest and a responsibility to ensure that no cycle of protection and retaliation develops, which would hurt our own citizens and those of our trading partners. This has allowed Latin American exports to the U.S. to grow by 12% last year, excluding oil where statistics are distorted by the drop in prices. At the same time, we are pressing other developed countries, especially Japan but also the European Union, to restore growth, deregulate, and further open their markets.

Likewise, we have played a crucial role in the recovery packages organized by the IMF and the G-7. In the case of the package for Brazil, the U.S. contribution was \$5 billion. The public vote of confidence in Brazil's ability to address the crisis that was evident from such U.S. participation was an even greater contribution than the specific dollar amount itself. Our Administration, from the President on down, remains absolutely focused on ensuring that these packages work. We applaud the Cardoso Administration for its efforts to maintain the economic reform course in the face of great financial stress.

And the Clinton Administration has made absolutely clear that we seek to maintain the momentum of trade expansion through negotiation and through domestic legislation. We remain among the most ambitious in the hemisphere with respect to the pace and content of FTAA negotiations leading up to the Toronto Ministerial in November. We will host the WTO Ministerial in Seattle just a month later. And last month, we transmitted a bill to Congress which will enhance the benefits that our Caribbean Basin Initiative provides to the countries of Central America and the Caribbean.

### **CBI ENHANCEMENT**

Let me say a few words about this last point, because CBI enhancement is one of the key points in our legislative agenda on trade.

For sixteen years, the CBI has been a centerpiece of our relationship with the Caribbean nations. It has and continues to be a program of mutual benefit: it supports and helps diversify the region's economy, and at the same time stimulates mutually beneficial two-way.

This is evident in our trade statistics. Last year, United States merchandise exports to the CBI countries were more than \$19 billion. To put this in context, last year our merchandise exports to France were \$16.0 billion, to Brazil \$15.9 billion, and to China \$14.4 billion. Our imports from CBI beneficiaries exceeded \$17 billion. Thus the Caribbean Basin is a market of great importance to the U.S., and prosperity in the region will help our two-way trade grow further.

The new package will create significant additional benefits for the Caribbean economies, and also to help them make the transition to the FTAA itself. It will add to the existing products covered by the program apparel products; textile handicrafts, and all non-textile products currently excluded -- e.g. energy products, footwear and others. This will help stimulate new value-added industries in the region, and increase Caribbean competitiveness as the FTAA approaches. We continue to work with Congress to create a final package,; and are committed to see the effort through.

### **IMPORTANCE OF BUSINESS FACILITATION AGREEMENTS**

Turning now to the negotiations themselves, it is important to implement this year substantial, concrete, practical business facilitation measures that make commerce easier and more economical throughout our hemisphere in the immediate future.

By the next meeting of the FTAA Trade Negotiations Committee, at the end of July in Bolivia, the participating countries must agree on the initial package of these measures. The 34 countries participating in the negotiations have agreed that the first area of attention will be customs procedures. Here we hope to agree on measures such as streamlining customs procedures for express shipments; establishing a code of conduct for customs officials; implementing systems of "control and release"; and easing customs procedures for entries in connection with business travel.

Completion of these agreements would be an important boost -- most of all for its immediate effect on hemispheric trade, but also for its psychological effect on the FTAA talks. I am concerned, however, that some of our FTAA trading partners are a good deal less ambitious than the U.S. in business facilitation. This was evident in the meetings of the Trade Negotiations Committee last week in Miami. While most of the significant customs measures are still on the table, it is essential that governments move ahead to adopt them.

We are prepared to go even further, by adopting joint measures such as transparency and due process in government procurement, mutual recognition of certification of telecommunications equipment, and hemisphere-wide adoption of international conventions on intellectual property rights and arbitration. We invite our partners to join us in implementing a significant package of business facilitation before the end of this year.

Furthermore, we should work together to show support for the trading system. As the

WTO Ministerial in Seattle this November and the new Round of global trade negotiations approach, we should work toward consensus on a broader, multilateral agreement on transparency in government procurement; extension of the WTO's commitment to refrain from imposing tariffs on electronic transmissions, which will support our own e-commerce work in the FTAA; an "Information Technology Agreement II"; and the sectoral initiative begun in APEC last year, with its great opportunities for developed and developing countries alike.

## **CONCLUSION**

Each of these steps will yield its own specific benefits; each will also contribute to the realization of the larger vision.

In the past decade, our possibilities have grown beyond imagination. Each successive step in hemispheric integration – the Caribbean Basin Initiative; the US-Canada Free Trade Agreement and NAFTA; Mercosur; the trade agreements in the Caribbean, Central America and the Andes; have helped us create a hemisphere more prosperous, more stable, more democratic, more respectful of human rights.

And we have the opportunity to unite and transcend each of these achievements in the Free Trade Area of the Americas: a community of common interests in jobs, growth and prosperity; of common aspirations for better health, improved education, safer factories and cleaner air and water; and of common values, in a hemisphere united by the rule of law, open and honest government, human rights and democratic principles.

These goals are inherent in all the American independence movements; but never before have we come so close to reaching them. We are now halfway there: just over five years since the Miami Summit brought a democratic hemisphere together for the first time; a little more than five years before our work is done.

It is a time of immense hope and promise; but it is also the moment of greatest risk. In the months ahead, we must redouble our efforts and renew our commitments. It has taken two centuries for us to come this close; and we must not let the promise and the vision slip away.

Thank you.